

# CRITERIA AND STANDARDS for REVIEWING SCHOOL DISTRICT BUDGETS

## CRITERIA

## STANDARDS

### FIRST TIER REVIEW

(any deviation triggers a second tier review – the 2<sup>nd</sup> Tier is in addition to all items in the 1<sup>st</sup> Tier)

#### Average Daily Attendance

ADA has not been overestimated in the 1<sup>st</sup> prior year or in 2 or more of the previous 3 years by more than the following variance levels:

1.030	for districts with	0 -	300 ADA
1.025	for districts with	301 -	1,000 ADA
1.020	for districts with	1,001 -	30,000 ADA
1.015	for districts with	30,001 -	400,000 ADA
1.010	for districts with	400,001 -	and over ADA

#### Deficit Spending

Deficit spending (Revenues plus Other Financing Sources less Expenditures less Other Financing Uses) has not exceeded the following variance levels in either the 1<sup>st</sup> and 2<sup>nd</sup> prior years or the 1<sup>st</sup> and 3<sup>rd</sup> prior years:

.0165	for districts with	0 -	300 ADA
.0132	for districts with	301 -	1,000 ADA
.0099	for districts with	1,001 -	30,000 ADA
.0066	for districts with	30,001 -	400,000 ADA
.0033	for districts with	400,001 -	and over ADA

#### Reserves

Available reserves are not less than the following percentages as applied to total expenditures, transfers out and uses, except as provided for in Education Code Section 33128:

the greater of 5% or \$50,000	for districts with	0 -	300 ADA
the greater of 4% or \$50,000	for districts with	301 -	1,000 ADA
3%	for districts with	1,001 -	30,000 ADA
2%	for districts with	30,001 -	400,000 ADA
1%	for districts with	400,001 -	and over ADA

#### Supplemental Information

Provide supplemental information as follows:

- Compare the change in fund balance for the budget and 3 prior years. Provide an explanation if the fund balance has declined for the last three fiscal years.
- Fund balance is not less than the sum of its components.
- If more than 1% of on-going General Fund operating expenditures are funded with one-time resources in the budget year, explain how the one-time resources will be replaced to continue funding the ongoing expenditures in the following years.

## **CRITERIA**

### **FIRST TIER REVIEW (continued)**

#### **Supplemental Information (continued)**

## **STANDARDS**

**(any deviation triggers a second tier review – the 2<sup>nd</sup> Tier is in addition to all items in the 1<sup>st</sup> Tier)**

Provide supplemental information as follows:

- Analyze the change in Special Education funding. Provide an explanation if revenues have changed by more than five percent from the prior year.
- Identify all significant multiyear commitments for the next 3 years and identify the resources used to service those commitments.
- Analyze contributions to restricted programs. Provide an explanation if contributions have increased by more than 10% from the prior year.
- Identify the liability for health and welfare benefits for retired employees based on the required actuarial study, and how the costs are accounted for.
- Identify all temporary borrowings between funds. (Refer to *Education Code* Section 42603.)
- Identify the status of all capital projects that may impact the General Fund operational budget.
- Analyze the status of employee salary and benefit negotiations.

If salary and benefit negotiations are not finalized, upon settlement with certificated or classified staff:

- the school district must determine the cost of the settlement, including salaries, benefits, and any other agreements that change costs, and provide the county office of education with an analysis of the cost of the settlement and its impact on the operating budget. The governing board must certify to the validity of the analysis.
- the county superintendent shall review the analysis relative to the criteria and standards, and provide written comments to the president of the district governing board, and the district superintendent.

**CRITERIA****STANDARDS****SECOND TIER REVIEW****(deviations must be explained in writing\*)****NOTE: In addition to the items in the 1<sup>st</sup> Tier, the 2<sup>nd</sup> Tier includes:**

Revenue Limit	Budgeted revenue limit has not increased or decreased by more than the change in base revenue limit per ADA plus the change in revenue limit ADA from the prior year.
Other Revenues	Federal revenues, other State revenues, and local revenues have not increased or decreased by more than 10% from the prior year revenues.
Salaries and Benefits	Salaries and benefits have not increased by more than the district's change in base revenue limit per ADA, plus the change in revenue limit ADA from the prior year.
Other Operating Expenses	Expenditures for books and supplies, and services and other operating expenditures have not increased or decreased by more than 10% or the change in base revenue limit per ADA plus the change in revenue limit ADA (whichever is greater) from the prior year.  Capital outlay and other outgo have not increased or decreased by more than 40% from the prior year.
Other Sources and Uses	Other Sources and Uses have not increased or decreased by more than 40% from the prior year.
Supplemental Information	Analyze the General Fund for changes in the budget and three prior fiscal years in ADA; Operating Revenue and Expenditures; Surplus/(Deficit); Ending Fund Balance; and Reserve.

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\* Explanations should be concise and to the point. Districts and county offices should discuss the specificity and length of these explanations to ensure that they are as useful and unobtrusive as possible.